

213 636

BALL JANIK LLP

A T T O R N E Y S

1455 F STREET, NW, SUITE 225
WASHINGTON, D.C. 20005

www.balljanik.com

TELEPHONE 202-638-3307
FACSIMILE 202-783-6947

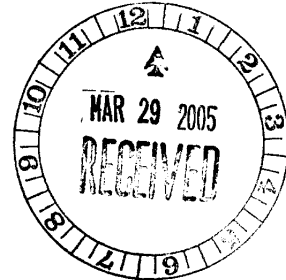
KARL MORELL

kmorell@dc.bjllp.com

March 28, 2005

BY HAND DELIVERY

The Honorable Vernon Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 700
Washington, DC 20423-0001



Re: STB Finance Docket No. 34684, Mississippi Southern Railroad, Inc. -- Lease and Operation Exemption -- The Kansas City Southern Railway Company

Dear Secretary Williams:

Attached for filing are the original and ten copies of a Verified Notice of Exemption under 49 C.F.R. 1150.31 and a check covering the \$1,500.00 filing fee. Also enclosed is a 3.5-inch diskette containing the Notice and Summary.

Please time and date stamp the extra copy of the Notice of Exemption and return it with our messenger.

If you have any questions, please contact me.

FEE RECEIVED
MAR 29 2005
SURFACE
TRANSPORTATION BOARD

Sincerely,

Karl Morell

ENTERED
Office of Proceedings

MAR 29 2005

Part of
Public Record

KM:KM

FILED

MAR 29 2005

**SURFACE
TRANSPORTATION BOARD**

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34684

MISSISSIPPI SOUTHERN RAILROAD, INC.
--LEASE AND OPERATION EXEMPTION--
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

FILED

MAR 29 2005

SURFACE
TRANSPORTATION BOARD

KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

FEE RECEIVED

MAR 29 2005

SURFACE
TRANSPORTATION BOARD

Attorney for:
MISSISSIPPI SOUTHERN
RAILROAD, INC.

ENTERED
Office of Proceedings
MAR 29 2005
Part of
Public Record

Dated: March 28, 2005

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34684

MISSISSIPPI SOUTHERN RAILROAD, INC.
--LEASE AND OPERATION EXEMPTION--
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

Mississippi Southern Railroad, Inc. ("MSRR"), a non-carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart D--Exempt Transactions, to permit MSRR to lease from The Kansas City Southern Railway Company ("KCS") and operate a 26.5-mile rail line located in Mississippi.

In support of this Notice of Exemption, MSRR submits the following information as required by 49 C.F.R. § 1150.33:

- (a) Full name and address of applicant:

Mississippi Southern Railroad, Inc.
315 W. 3rd Street
Pittsburg, Kansas 66762

(b) Applicant's Representative:

Karl Morell
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005
(202) 638-3307

(c) Statement of Agreement:

MSRR will shortly enter into an agreement with KCS for the lease of the rail line.

(d) The operator of the property:

MSRR will be the operator of the leased line.

(e) Summary of proposed transaction:

(1) The name and address of the company leasing the subject property:

The Kansas City Southern Railway Company
PO Box 219335
Kansas City, MO 64121-9335

(2) The involved transaction is expected to be consummated on or shortly after April 5, 2005.

(3) The 26.5 miles of rail line that MSRR will lease is located between Milepost 133.0, near Bay Springs, MS, and Milepost 159.5, near Newton, MS.

(4) The length of the rail line being leased is approximately 26.5 miles.

(f) A map of the rail line being leased is attached as Exhibit A.

(g) MSRR hereby certifies that MSRR's projected revenues as a result of this transaction will not result in MSRR becoming a Class II or Class I rail carrier. MSRR further certifies that the projected annual revenue of MSRR will not exceed \$5 million. Consequently, the requirements of 49 C.F.R. § 1150.32(e) do not apply to this transaction.

A caption summary, as required by 49 C.F.R. § 1150.34, is attached.

ENVIRONMENTAL AND HISTORIC IMPACTS

MSRR is leasing the rail line from KCS for continued rail operations. Further Board approval is required for MSRR to discontinue any service and there are no plans to dispose of or alter properties subject to Board jurisdiction that are 50 years old or older. Hence, this Notice of Exemption does not require an historic report under 49 C.F.R. § 1105.8(b)(1).

MSRR's lease and operation of the rail line will not result in significant changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of this line to motor carriage. This transaction will not result in: (1) an increase in rail traffic of at least 100 percent or an increase of at least eight trains a day on any segment of the line; (2) an increase of rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day. MSRR's lease and operation of the rail line will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded. Finally, the transportation of ozone depleting materials is not contemplated. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2).

This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Karl Morell", written over a horizontal line.

KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005
(202) 638-3307

Attorney for:
MISSISSIPPI SOUTHERN RAILROAD, INC.

Dated: March 28, 2005

Bay Springs Branch



0 10
MILES

Sebastopol

NEWTON

Meehan

Marion

Meridian

Forest

Morton

Rankin

Brandon

SCOTT

Lake

Newton

MM 159.5

Hickory

MS

CLARKE

SMITH

JASPER

Bay Springs

MM 133.0

SIMPSON

EXHIBIT A

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 34684

MISSISSIPPI SOUTHERN RAILROAD, INC.
--LEASE AND OPERATION EXEMPTION--
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

Mississippi Southern Railroad, Inc. ("MSRR"), a non-carrier, has filed a notice of exemption to lease from The Kansas City Southern Railway Company and operate a 26.5-mile rail line. The rail line being leased is located between Milepost 133.0, near Bay Springs, MS, and Milepost 159.5, near Newton, MS.

This transaction is related to STB Docket No. 34683, Watco Companies, Inc. -- Continuance In Control Exemption – Mississippi Southern Railroad, Inc., wherein Watco Companies, Inc., has concurrently filed a verified notice to continue in control of MSRR upon MSRR becoming a Class III rail carrier.

Comments must be filed with the Board and served on Karl Morell, Of Counsel, BALL JANIK LLP, Suite 225, 1455 F Street, N.W., Washington, DC 20005, (202) 638-3307.

This notice is filed under 49 C.F.R. 1150.31. If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10505(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

VERIFICATION

STATE OF KANSAS

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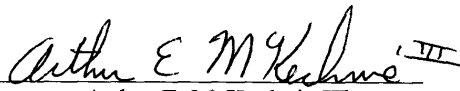
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ss.

COUNTY OF CRAWFORD

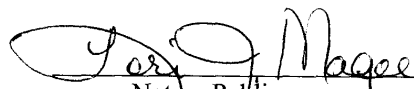
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I, Arthur E. McKechnie III, being duly sworn depose and state that I am Assistant Secretary of Mississippi Southern Railroad, Inc., that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information, and belief.


Arthur E. McKechnie III

SUBSCRIBED AND SWORN TO before me this 24th day of March, 2005, in the County of Crawford, State of Kansas.

My Commission Expires: 8/16/08


Notary Public